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November 17, 2011

RECEIVED
11/18/11
MANAGEMENT
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VIA FEDERAL EXPRESS

Ms. Cynthia T. Brown
Chief, Section of Administration
Office of Proceedings
Surface Transportation Board
395 E Street, S.W., Room 1034
Washington, DC 20024

231501

Re: **Finance Docket No. 35561**
Lake State Railway Company -- Intra-Corporate Family Merger
Exemption -- Saginaw Bay Southern Railway Company

Dear Ms. Brown:

Enclosed for filing in the above-captioned proceeding are an original and ten copies of a **Verified Notice of Exemption Pursuant to 49 C.F.R. § 1180.2(d)(3)**, dated November 17, 2011. A check in the amount of \$1,700, representing the appropriate fee for this filing, is attached.

One extra copy of this transmittal letter and of the Notice also are enclosed. I would request that you date-stamp those copies to show receipt of this filing and return them to me in the provided envelope.

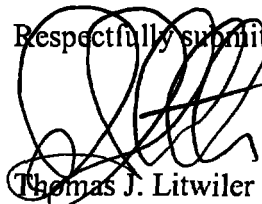
If you have any questions regarding this filing, please feel free to contact me. Thank you for your assistance on this matter. Kind regards.

ENTERED
Office of Proceedings

NOV 18 2011

Part of
Public Record

Respectfully submitted,



Thomas J. Litwiler

Attorney for Lake State Railway Company and
Saginaw Bay Southern Railway Company

TJL:tl

Enclosures

FEE RECEIVED

NOV 18 2011

TRANSPORTATION BOARD

FILED

NOV 18 2011

SURFACE
TRANSPORTATION BOARD

ORIGINAL

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 35561

LAKE STATE RAILWAY COMPANY
-- INTRA-CORPORATE FAMILY MERGER EXEMPTION --
SAGINAW BAY SOUTHERN RAILWAY COMPANY

VERIFIED NOTICE OF EXEMPTION
PURSUANT TO 49 C.F.R. § 1180.2(d)(3)

231307

ENTERED
Office of Proceedings

NOV 18 2011

Part of
Public Record

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**ATTORNEY FOR LAKE STATE RAILWAY
COMPANY AND SAGINAW BAY SOUTHERN
RAILWAY COMPANY**

Dated: November 17, 2011

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 35561

LAKE STATE RAILWAY COMPANY
-- INTRA-CORPORATE FAMILY MERGER EXEMPTION --
SAGINAW BAY SOUTHERN RAILWAY COMPANY

**VERIFIED NOTICE OF EXEMPTION
PURSUANT TO 49 C.F.R. § 1180.2(d)(3)**

Lake State Railway Company ("LSRC") and Saginaw Bay Southern Railway Company ("SBS") hereby file this verified notice of exemption under 49 C.F.R. § 1180.2(d)(3) for the intra-corporate family merger of SBS with and into LSRC, with LSRC as the surviving corporation. The proposed merger will simplify the LSRC/SBS corporate structure and reduce associated administrative burdens. It is a transaction within a corporate family that will not adversely affect the level of any existing rail service and will not result in significant operational changes or any change in the competitive balance with carriers outside of the LSRC/SBS corporate family.

In accordance with the requirements of 49 C.F.R. § 1180.4(g), LSRC and SBS submit the following information:

Description of the Proposed Transaction: 49 C.F.R. § 1180.6(a)(1)(i)

LSRC is a Michigan corporation and a Class III common carrier by rail which owns or operates approximately 225 miles of rail line in the state of Michigan. LSRC's lines extend from Bay City to Gaylord, Michigan and from Pinconning (on the Bay City-Gaylord line) to Alpena, Michigan. A short branch extends from Alabaster Junction (near Tawas City on the

Pinconning-Alpena line) to Alabaster, Michigan. A significant portion of the Bay City-Gaylord line is owned by the Michigan Department of Transportation. LSRC began operations in 1992. See Lake State Railway Company -- Lease and Operation Exemption -- Detroit and Mackinac Railway Company, Finance Docket No. 32012 (ICC served February 27, 1992); Lake State Railway Company -- Acquisition and Operation Exemption -- Detroit & Mackinac Railway Company, Finance Docket No. 33372 (STB served March 28, 1997).

SBS is a Michigan corporation and a Class III common carrier by rail which owns or operates over approximately 74 miles of rail line in Michigan, extending primarily between a connection with CSX Transportation, Inc. ("CSXT") at Mt. Morris and Saginaw. Additional lines extend from Saginaw to Midland, Bay City/Essexville and Paines, Michigan. See Saginaw Bay Southern Railway Company -- Acquisition and Operation Exemption -- Rail Line of CSX Transportation, Inc., Finance Docket No. 34729 (STB served September 27, 2005) ("SBS Acquisition"); Saginaw Bay Southern Railway Company -- Acquisition and Operation Exemption -- In Saginaw County, MI, Finance Docket No. 34729 (Sub-No. 1) (STB served June 23, 2006). SBS provides service over its lines through use of LSRC as a contract operator. See SBS Acquisition at 1. The lines of SBS and LSRC connect at Bay City, Michigan.

LSRC and SBS are commonly-controlled by J&JG Holding Company, Inc. ("J&JG"), a non-carrier. See James George and J&JG Holding Company, Inc. -- Continuance in Control Exemption -- Saginaw Bay Southern Railway Company, Finance Docket No. 34730 (STB served October 17, 2005) ("J&JG Control").¹ The management, marketing and other

¹ J&JG Control included control authority over LSRC and SBS for Mr. James George, an individual who controlled J&JG through a revocable, living trust of which Mr. George was trustee. Mr. George is since deceased, and his widow has replaced him as trustee of the trust.

functions of LSRC and SBS are closely coordinated, and as indicated above LSRC is SBS's contract operator and thus already conducts all rail operations on the LSRC/SBS system.

Pursuant to an Agreement and Plan of Merger to be entered into by LSRC and SBS, SBS will be merged with and into LSRC, with LSRC as the surviving corporation. The consolidated entity will continue all existing service and operations of LSRC and SBS.

For railway accounting purposes, LSRC today functions as an Interline Settlement System ("ISS") carrier, while SBS is a Junction Settlement carrier through CSXT. After the merger of LSRC and SBS, the former SBS lines will be converted to ISS status,² but for administrative and logistical reasons that change is not expected to occur until on or after March 1, 2012, two months after the formal merger is consummated. During the interim period, for railway accounting purposes, LSRC will operate the former SBS lines "doing business as" Saginaw Bay Southern.

The proposed merger of LSRC and SBS is a transaction within a corporate family that will not result in adverse changes in service levels, significant operational changes or any change in the competitive balance with carriers outside of the LSRC/SBS corporate family.

The full name and address of the applicants herein are as follows:

Lake State Railway Company
Saginaw Bay Southern Railway Company
750 North Washington Avenue
Saginaw, Michigan 48607
(989) 757-2130

Any questions concerning this Notice should be sent to LSRC/SBS's representative at the following address:

² The Railway Accounting Rules of the Association of American Railroads do not permit a railroad to be both an ISS carrier and a Junction Settlement carrier.

Thomas J. Litwiler
Fletcher & Sippel LLC
29 North Wacker Drive
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Chicago, Illinois 60606-2832
(312) 252-1500

Proposed Time Schedule for Consummation: 49 C.F.R. § 1180.6(a)(1)(ii)

LSRC and SBS intend to consummate the proposed intra-corporate family merger transaction as of January 1, 2012. As indicated above, the conversion of the former SBS lines to ISS status for accounting purposes will occur on or after March 1, 2012.

Purpose Sought to Be Accomplished: 49 C.F.R. § 1180.6(a)(1)(iii)

The proposed merger of LSRC and SBS will simplify the railroads' existing corporate structure and reduce the administrative, accounting, reporting and related burdens associated with the maintenance of two separate corporate entities.

States in Which Applicants' Property is Located: 49 C.F.R. § 1180.6(a)(5)

LSRC and SBS each own or operate over rail property located in the state of Michigan.

Map - Exhibit 1: 49 C.F.R. § 1180.6(a)(6)

A map of the rail lines of LSRC and SBS is attached hereto as Exhibit 1.

Agreement - Exhibit 2: 49 C.F.R. § 1180.6(a)(7)(ii)

A draft of the Agreement and Plan of Merger by and between LSRC and SBS is attached hereto as Exhibit 2.

Labor Protective Conditions: 49 C.F.R. § 1180.4(g)(1)(i)

Pursuant to 49 U.S.C. § 11326(c), no employee protective conditions may be imposed on this transaction. LSRC and SBS are currently Class III rail carriers, and LSRC will remain a Class III carrier after consummation of the proposed merger transaction. No other rail carriers are involved in the proposed transaction.

Environmental and Historic Preservation Matters: 49 C.F.R. § 1180.4(g)(3)

Under 49 C.F.R. § 1105.6(c)(2)(ii), the intra-corporate merger of SBS into LSRC is exempt from environmental reporting requirements. The proposed transaction will not result in significant changes in current or future carrier operations, i.e., changes that exceed the thresholds of 49 C.F.R. § 1105.7(e)(4) or (5).

Under 49 C.F.R. § 1105.8(b)(2), the proposed intra-corporate family transaction also is exempt from historic preservation reporting requirements. The merger of LSRC and SBS will not result in significant changes in existing or anticipated operations.

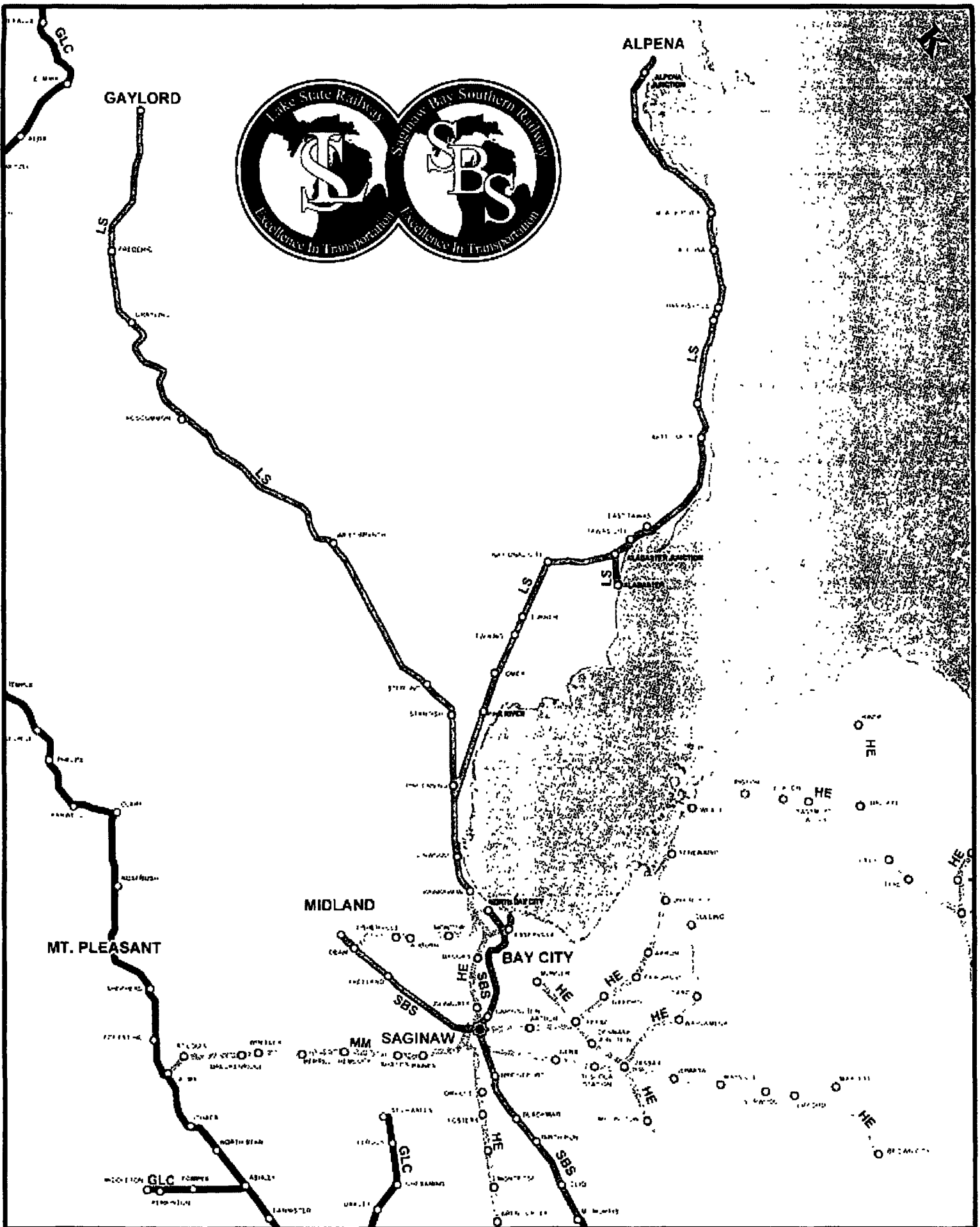
Respectfully submitted,

By: 

Thomas J. Litwiler
Fletcher & Sippel LLC
29 North Wacker Drive
Suite 920
Chicago, Illinois 60606-2832
(312) 252-1500

**ATTORNEY FOR LAKE STATE RAILWAY
COMPANY AND SAGINAW BAY SOUTHERN
RAILWAY COMPANY**

Dated: November 17, 2011



AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER is entered into this ____ day of November, 2011 between SAGINAW BAY SOUTHERN RAILWAY COMPANY, a Michigan corporation ("SBSRC"), and LAKE STATE RAILWAY COMPANY, a Michigan corporation (hereinafter called "LSRC" and as the survivor of the Merger provided for herein called "Surviving Corporation"). The parties hereinafter are sometimes collectively called "Constituent Corporations."

BACKGROUND

SBSRC and LSRC are corporations duly organized and existing under the laws of State of Michigan.

The shareholders of each of the Constituent Corporations and the Boards of Directors of each of the Constituent Corporations, by resolutions duly adopted, each have approved this Agreement and Plan of Merger and declare it to be advisable and in the best interest of each of the Constituent Corporations and their shareholders that SBSRC merge with and into LSRC, which latter corporation shall be the Surviving Corporation pursuant to the applicable provisions of the Michigan Business Corporation Act, as amended (the "MBCA").

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, as well as in consideration of the covenants and agreements set forth herein, the Constituent Corporations agree as follows:

1. **MERGER.**

Upon compliance with the applicable provisions of the MBCA, on the Effective Date (as defined herein), SBSRC shall be merged with and into LSRC and thereupon the separate existence of SBSRC shall cease and LSRC shall continue to exist as "Surviving Corporation."

2. **ARTICLES OF INCORPORATION AND BYLAWS OF SURVIVING CORPORATION.**

The Articles of Incorporation and Bylaws of LSRC, as in effect immediately before the Merger, shall be the Articles of Incorporation and Bylaws of Surviving Corporation thereafter until amended as provided by law and in accordance with their respective terms

3. **CONVERSION OF SECURITIES ON MERGER.**

On the Effective Date, by virtue of the Merger:

- 3.1 All of the outstanding Common Shares, \$500.00 par value per share, of SBSRC ("SBSRC Common Shares"), including treasury stock, shall be canceled and each SBSRC Common Share shall be exchanged for five Common Shares, \$137.75 par value per share, of Surviving Corporation ("Surviving Corporation Common

Share"). Such Surviving Corporation Common Shares shall be delivered by Surviving Corporation to each respective shareholder of SBSRC on or after the Effective Date only upon surrender of the certificates representing the SBSRC Common Shares owned by such shareholder.

3.2 Each SBSRC Common Share outstanding and not held as treasury stock immediately prior to the Effective Date shall thereafter represent the right to receive five validly issued, fully paid and non-assessable shares of Surviving Corporation Common Stock. Immediately upon the Merger becoming effective, the equity interest of the shareholders of SBSRC as shareholders of SBSRC shall be extinguished and their sole right shall be to receive the consideration as set forth above unless statutory dissenters' rights have been preserved.

3.3 Each share of Surviving Corporation Common Stock shall remain outstanding.

4. AMENDMENT OF PLAN.

This Agreement and Plan of Merger may be amended by the mutual agreement of the Boards of Directors of Constituent Corporations at any time prior to its Effective Date, except that an amendment made subsequent to the adoption of this Agreement and Plan of Merger by the shareholders of a Constituent Corporation shall not change: (i) the amount or kind of shares to be received in exchange for or on conversion of all or any of the shares of Constituent Corporation; (ii) any term of the articles of Surviving Corporation to be effected by the Merger; or (iii) any of the terms and conditions of this Agreement and Plan of Merger if the change would adversely affect the holders of any shares of Constituent Corporation.

5. DIRECTORS AND OFFICERS OF SURVIVING CORPORATION.

The directors of LSRC immediately before the Merger will be the initial directors of Surviving Corporation, and the officers of LSRC immediately before the Merger will be the initial officers of Surviving Corporation, in each case until their successors are duly elected or appointed and qualified. If on the Effective Date a vacancy shall exist in any directorship or office of Surviving Corporation, such vacancy shall thereafter be filled in the manner provided by law and the Bylaws of Surviving Corporation.

6. EFFECTIVE DATE.

The Effective Date of the Merger shall be upon the later of the filing of the Certificate of Merger with the Michigan Department of Consumer and Industry Services or 12:01 a.m. on January 1, 2012.

7. STATE FILINGS.

The proper officers of Constituent Corporations shall make and execute whatever certificates and documents are required by the State of Michigan to effect the Merger, and to cause the same to be filed, in the manner provided by law, and to do all things whatsoever,

whether within or without the State of Michigan, which may be necessary and proper to effect such Merger.

8. EFFECT OF MERGER.

On the Effective Date of the Merger:

8.1 The separate existence of SBSRC shall cease and LSRC shall continue to exist as Surviving Corporation.

8.2 Surviving Corporation shall succeed to and possess all of the property (real, personal and mixed), rights, privileges, immunities, powers, purposes and franchises, and shall be subject to all of the obligations, restrictions and liabilities of Company, all without further act or deed, and all as more fully set forth under the MBCA.

9. FURTHER ASSURANCES.

If at any time after the Effective Date, Surviving Corporation shall determine that any further actions or instruments of conveyance are necessary or desirable in order to vest in and confirm to Surviving Corporation full title to and possession of all of the property (real, personal and mixed), rights, privileges, immunities, powers, purposes and franchises of SBSRC, then the officers or directors of Surviving Corporation, or at their request the persons who were officers and directors of SBSRC immediately prior to the Effective Date, as such officers and directors, shall have the authority to and shall take all such actions and execute and deliver all such instruments as Surviving Corporation may so determine to be necessary or desirable.

[SIGNATURES APPEAR ON NEXT PAGE]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement and Plan of Merger on the date first above written.

SAGINAW BAY SOUTHERN RAILWAY
COMPANY

LAKE STATE RAILWAY COMPANY

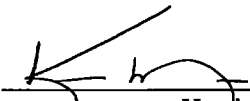
By: _____
Its: _____

By: _____
Its: _____

VERIFICATION

State of Michigan)
) SS:
County of Saginaw)

Kevin L. Mitrzyk, being duly sworn, deposes and says that he is Vice President – Finance, Treasurer and Chief Financial Officer of Lake State Railway Company and Saginaw Bay Southern Railway Company, that he has read the foregoing Notice of Exemption and knows the facts asserted therein, and that the same are true as stated.



Kevin L. Mitrzyk

SUBSCRIBED AND SWORN TO
before me this 16th day
of November, 2011.



Notary Public

My Commission expires: 08-06-2014

